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Director and Chief Medical Officer

FRED LEAF
Chief Operating Officer

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
313 N. Figueroa, Los Angeles, CA 90012
(213) 240-8101

BOARD OF SUPERVISORS

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September 2, 2004

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**APPROVE AMENDMENT NO. 1 TO EXISTING NON-COUNTY
TRAUMA CENTER SERVICE AGREEMENTS AND ALLOCATION OF
ADDITIONAL "MEASURE B" TRAUMA PROPERTY ASSESSMENT FUNDING**
(All Districts) (3 Votes)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Director of Health Services, or his designee, to offer and sign form agreement amendments, substantially similar to Exhibit I, with the Trauma Center Service Agreement providers (Attachment B), effective upon the date of Board approval through June 30, 2005, to increase the Fiscal Year 2004-05 funding for Base Hospital System operation by approximately \$1.2 million, with a signing deadline for each hospital of October 15, 2004, in order to maintain the Los Angeles County Trauma Center System and Base Hospital System.
2. Approve the allocation of a maximum increase of \$3.5 million in "Measure B" Trauma Property Assessment revenue to fund: (a) the \$1.2 million increase in Base Hospital System costs, (b) a \$0.1 million increase in compensation to private trauma hospitals based on the overall growth in Trauma Property Assessment revenue, pursuant to a provision in the Trauma Center Service Agreement, and (c) \$2.2 million to backfill a shortfall of other State and local funding needed to fund the Trauma Agreement.

PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTIONS:

The Board-approved Trauma Center Service Agreement (Trauma Agreement) with ten non-County Trauma Centers stipulated that if State legislation was enacted increasing the registered nurse staffing requirements for Base Hospital (BH), the parties would reopen negotiations with respect to payment for

BH services. Approval of the Trauma Agreement Amendment for non-County Trauma Centers will increase the funding for Fiscal Year 2004-05 for BH operations by approximately \$1.2 million to cover the costs incurred by Trauma Agreement providers to meet the new nurse staffing requirements.

Another provision in the Trauma Agreement requires that the providers receive a portion of any increase in Trauma Property Assessment (TPA) revenue from one fiscal year to another. Based on the projected increase in TPA revenue between FY 2003-04 and FY 2004-05, the Trauma Agreement providers are to receive an additional \$0.1 million in TPA funding for FY 2004-05.

Other State and local funding sources, as summarized in Footnote C of Attachment C, reflect a decline of \$2.2 million. Accordingly, an additional \$2.2 million of TPA funding is needed to meet the County's FY 2004-05 contractual obligations under the Trauma Agreement.

FISCAL IMPACT/FINANCING:

For Fiscal Year 2004-05, a total of \$3.5 million in additional TPA funds are needed to provide additional compensation to the BH, provide additional funding to the Trauma Agreement providers based on the projected increase in TPA revenue, pursuant to the provisions of the Board-approved Trauma Agreement, and backfill the shortfall in other State and local funding for the Trauma Agreement.

The maximum total additional monetary commitment related to the renegotiated BH funding is approximately \$1.2 million. However, the amount of TPA funds needed to cover this commitment will be decreased by approximately \$0.6 million if federal matching funds are approved. Currently, there is a State Plan Amendment pending with the Centers for Medicare and Medicaid Services that would provide federal matching funds retroactively to July 1, 2003. Any unutilized funds will remain in the TPA trust account.

An additional \$0.1 million in TPA funds is contractually required to provide increased funding for the Trauma Agreement providers based on the increase in projected TPA revenue from FY 2003-04 to FY 2004-05. This represents a proportionate share of the total projected increase of \$1.5 million in TPA revenue due to increased property improvement square footage (\$0.7 million) and prior year delinquency collections (\$0.8 million).

These increases (totaling \$1.3 million) will bring the total maximum obligation under the Trauma Agreement to \$25.2 million for Fiscal Year 2004-05. Furthermore, an additional \$2.2 million in TPA funding is needed for FY 2004-05 to backfill the shortfall of other State and local funding needed to fund the contractual obligations of the Trauma Agreement.

Funding for the \$3.5 million will be allocated from excess TPA revenue for FY 2004-05 over the currently budgeted expenditures. Based on the latest estimates, we expect total TPA revenue (\$178.0 million) to exceed budgeted expenditures (\$174.0 million) by \$4.0 million. Attachment C provides additional detail of the proposed FY 2004-05 expenditures and projected revenue. Upon approval of the recommended actions, the Department will work with the Chief Administrative Office, during the

supplemental phase of the budget process, to include those adjustments necessary to conform the FY 2004-05 DHS Budget to the "FY 04-05 Proposed Plan" column reflected in Attachment C.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

Beginning in the early 1990s, Prop. 99 funding, initially intended to support trauma systems, adequately funded the trauma system, but has steadily decreased over the last decade. Other sources of funding, i.e., SB 612/EMS Maddy Funds, Tobacco Settlement Designation Funding and State Trauma Care Funds, have been used to augment Prop. 99 funding in an ongoing effort to fund the trauma system. The State Trauma Fund was developed out of a statewide effort (*Save California Trauma Centers Coalition*) to develop a permanent funding source for Trauma Centers throughout the State. The total of \$25 million allocated statewide for Fiscal Year 2001-02 was reduced to \$20 million in Fiscal Year 2002-03 and completely eliminated for Fiscal Year 2003-04 and has not been reinstated since.

The Amendment to the existing ten agreements with the non-County Trauma Centers will maintain the BH component of our comprehensive trauma system. The BH system has experienced a reduction in the number of designated hospitals. Therefore, in an effort to stabilize this component of the Advanced Life Support system, the majority of Trauma Centers are now required to perform these services as described in the BH contract. Additionally, three County-operated Trauma Centers provide services under existing Memorandum of Understandings, which is a large part of maintaining the LACTCS and BH System.

The Trauma Agreement with the non-County hospitals provides that compensation for the trauma services will increase by the overall percentage growth in TPA revenue (due to increased property improvement square footage and prior year delinquency collections) from FY 2003-04 to FY 2004-05. We expect this overall increase to be approximately 0.9%.

The Amendment (Exhibit I) has been approved as to use and form by County Counsel.

Attachments A through C provide additional information.

CONTRACTING PROCESS:

Non-County hospitals executing Amendment No. 1 are current participants in the County's trauma system and satisfy the State and County criteria and conditions for such participation.

It is not appropriate to advertise this Amendment on the Office of Small Business' Countywide Web Site.

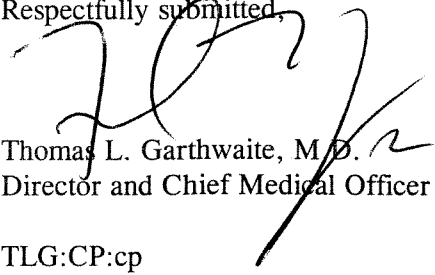
IMPACT ON CURRENT SERVICES (OR PROJECTS):

Approval of this Amendment will help ensure the continued viability of and access to the current level of trauma services until June 30, 2005.

The Honorable Board of Supervisors
September 2, 2004
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When approved, this Department requires three signed copies of the Board's action.

Respectfully submitted,



Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

TLG:CP:cp

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors
Auditor-Controller
Chair, Emergency Medical Services Commission
Health Care Association of Southern California
Chief, County Health Services Branch
State Department of Health Services

BLETCD3481.CBA
cba:08/26/04

SUMMARY OF AGREEMENT

1. TYPE OF SERVICE:

Maintain trauma services at the ten non-County and three County-operated trauma centers through June 30, 2005.

2. AGENCY ADDRESS AND CONTACT PERSON:

Department of Health Services
Emergency Medical Services Agency
5555 Ferguson Drive, Suite #220
Commerce, California 90022
Attention: Carol (Gunter) Meyer, Director
Telephone: (323) 890-7545

3. TERM OF AGREEMENTS:

Effective upon the date of Board approval through June 30, 2005.

4. FINANCIAL INFORMATION:

Approval of Amendment No. 1 for non-County Trauma Centers will increase the funding for Fiscal Year 2004-05 for Base Hospital System operations by approximately \$1.2 million. However, this amount may be decreased by approximately \$0.6 million should federal matching funds be approved.

5. RESPONSIBLE FOR MONITORING:

Emergency Medical Services Agency.

6. GEOGRAPHIC AREA SERVED:

Countywide.

7. APPROVALS:

Local EMS Agency:	Carol S. (Gunter) Meyer, Director
Contract Administration::	Irene E. Riley, Director
County Counsel (approval as to use):	Edward A. Morrissey, Deputy County Counsel

TRAUMA CENTER SERVICE AGREEMENTS

- | | | |
|-----|--|----------|
| 1. | Cedars-Sinai Medical Center
8700 Beverly Boulevard
Los Angeles, CA 90048-1865 | H-300384 |
| 2. | Children's Hospital Los Angeles
4650 W. Sunset Boulevard
Los Angeles, CA 90027-6062 | H-300379 |
| 3. | Providence Holy Cross Medical Center
15031 Rinaldi Street
Mission Hills, CA 91345-1207 | H-300380 |
| 4. | Huntington Memorial Hospital
100 W. California Boulevard
Pasadena, CA 91105-3097 | H-300378 |
| 5. | Henry Mayo Newhall Memorial Hospital
23845 McLean Parkway
Valencia, CA 91355-2083 | H-300381 |
| 6. | Long Beach Memorial Medical Center
2801 Atlantic Avenue
Long Beach, CA 90806-1737 | H-300385 |
| 7. | Northridge Hospital Medical Center
18300 Roscoe Boulevard
Northridge, CA 91325-4105 | H-300383 |
| 8. | Saint Francis Medical Center
3630 E. Imperial Highway
Lynwood, CA 90262-2678 | H-300376 |
| 9. | Saint Mary Medical Center
1050 Linden Avenue
Long Beach, CA 90813-3393 | H-300506 |
| 10. | UCLA Medical Center
10833 LeConte Avenue
Los Angeles, CA 90095-3075 | H-300382 |

LOS ANGELES COUNTY - DEPARTMENT OF HEALTH SERVICES
PROPOSED USES OF "MEASURE B" - TRAUMA PROPERTY ASSESSMENT (TPA) FUNDS
FISCAL YEAR 2004-05
(\$ in millions)

Attachment C

	FY 03-04 <u>Adopted Budget</u>	FY 04-05 <u>Adopted Budget</u>	+	Proposed <u>Increase/(Decrease)</u>	=	FY 04-05 <u>Proposed Plan</u>
EXPENDITURES						
<u>County DHS</u>						
- Hospital Trauma and Emergency Services Support	\$ 140.000	\$ 142.612	\$	-	\$	142.612
- Public Health - Bioterrorism	6.000	4.739				4.739
- Emergency Medical Services Agency	-	1.389				1.389
Subtotal County DHS	<u>\$ 146.000</u>	<u>\$ 148.740</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>148.740</u>
<u>Expanded Access</u>						
- Air Transport						
* County Fire	TBD	TBD	(a)			TBD
* County Sheriff	TBD	TBD	(a)			TBD
* City Fire	TBD	TBD	(a)			TBD
Subtotal Air Transport	<u>\$ 2.400</u>	<u>\$ 2.400</u>			<u>\$</u>	<u>2.400</u>
- Helicopter Lease - County Fire	<u>2.000</u>	<u>2.000</u>				<u>2.000</u>
Subtotal Expanded Access	<u>\$ 4.400</u>	<u>\$ 4.400</u>			<u>\$</u>	<u>4.400</u>
<u>Other County - TPA Administration</u>	<u>\$ 1.000</u>	<u>\$ 1.000</u>				<u>\$ 1.000</u>
<u>Private Trauma Contracts</u>						
- Service Claims						
* Base Contract Funding	\$ 9.500	\$ 9.500	\$	0.082 (b)	\$	9.582
* Backfill Funding - Other Revenue Shortfalls	-	-		2.150 (c)		2.150
Subtotal	<u>\$ 9.500</u>	<u>\$ 9.500</u>	<u>\$</u>	<u>2.232</u>	<u>\$</u>	<u>11.732</u>
- Lump-Sum Payments	6.500	6.500		0.056 (d)		6.556
- Trauma Center Base Stations (maximum)	<u>2.600</u>	<u>2.600</u>		<u>1.160 (e)</u>		<u>3.760</u>
Subtotal Private Trauma Contracts - TPA	<u>\$ 18.600</u>	<u>\$ 18.600</u>	<u>\$</u>	<u>3.448</u>	<u>\$</u>	<u>22.048</u>
<u>Unallocated</u>	<u>\$ -</u>	<u>\$ 1.260</u>	<u>\$</u>	<u>-</u>		<u>1.260</u>
TOTAL EXPENDITURES	<u>\$ 170.000</u>	<u>\$ 174.000</u>	<u>\$</u>	<u>3.448</u>	<u>\$</u>	<u>177.448</u>
Projected TPA Revenue	<u>176.478</u>	<u>178.002</u>		<u>-</u>	<u>\$</u>	<u>178.002</u>
Projected TPA Revenue Surplus/(Deficit)	<u>\$ 6.478 (g)</u>	<u>\$ 4.002</u>	<u>\$</u>	<u>(3.448)</u>	<u>\$</u>	<u>0.554</u>

LOS ANGELES COUNTY - DEPARTMENT OF HEALTH SERVICES
 PROPOSED USES OF "MEASURE B" - TRAUMA PROPERTY ASSESSMENT (TPA) FUNDS
 FISCAL YEAR 2004-05
 (\$ in millions)

Attachment C

Footnotes

- (a) The distribution of these funds among the three agencies is still to-be-determined (TBD).
- (b) Based on the projected growth in TPA revenue from FY 03-04, as required by the Trauma Center Services Agreement.
- (c) Proposed use of TPA revenue to backfill a \$2.2 million shortfall in other trauma services revenue (i.e., SB 612, Tobacco Tax, etc.), as follows, to meet the funding requirements of the Private Trauma Hospital contracts:

Other State & Local Funding Sources

	<u>FY 03-04</u>	<u>FY 04-05</u>	<u>Increase / (Decrease)</u>
- SB 612 (fines & forfeitures)			
* Revenue	\$ 3.71	\$ 3.69	\$ (0.02)
* Other Earnings (excess refunds and interest)	1.62	-	\$ (1.62)
* Fund Balance/Commitment Cancellation	<u>0.43</u>	<u>0.13</u>	<u>\$ (0.30)</u>
Subtotal SB 612	\$ 5.76	\$ 3.82	\$ (1.94)
- CHIP	<u>0.21</u>	<u>-</u>	<u>(0.21)</u>
Total	<u><u>\$ 5.97</u></u>	<u><u>\$ 3.82</u></u>	<u><u>\$ (2.15)</u></u>

- (d) Based on the projected growth in TPA revenue from FY 03-04, as required by the PTH contract. A Medi-Cal matching funds proposal still pending State approval could provide an additional \$6.26 million.
- (e) Includes an increase of \$1.13 million, based on renegotiation of funding due to passage of AB 394 (nurse staffing ratios) and \$0.03 million based on the projected growth in TPA revenue from FY 03-04, as required by the PTH contract.
- (f) Reflects the maximum renegotiated amount due to the Private Trauma Hospital Base Stations; this amount would be reduced by approximately \$1.68 million if Medi-Cal matching funds are obtained. A Medi-Cal matching funds proposal is still pending State approval.
- (g) Due to actual revenue and expenses that vary from the plan and interest earnings, the unobligated TPA Fund Balance as of June 30, 2004 is projected to be \$15.3 million. The Proposed Plan for FY 04-05 would result in an estimated June 30, 2005 cumulative surplus of \$17.6 million, including interest earned during FY 04-05.